

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

IN RE: CITY OF DETROIT,	.	Docket No. 13-53846
MICHIGAN,	.	
	.	Detroit, Michigan
	.	March 5, 2014
Debtor.	.	2:30 p.m.
. . . . .		

HEARING RE. MOTION OF THE CITY OF DETROIT FOR ENTRY OF AN ORDER (I) ESTABLISHING PROCEDURES FOR SOLICITATION AND TABULATION OF VOTES TO ACCEPT OR REJECT PLAN OF ADJUSTMENT AND (II) APPROVING NOTICE PROCEDURES RELATED TO CONFIRMATION OF THE PLAN OF ADJUSTMENT (DKT#2789); CONCURRENCE OF THE RETIREE ASSOCIATION PARTIES IN THE SUPPLEMENTAL COMMENTS OF THE OFFICIAL COMMITTEE OF RETIREES TO THE FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2781) (DKT#2793); RESPONSE OF INTERNATIONAL UNION, UAW, TO FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2791); COMMENT TO THE FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2780); SUPPLEMENTAL COMMENTS OF THE OFFICIAL COMMITTEE OF RETIREES TO THE FIRST AMENDED ORDERS ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2781); RESPONSE OF THE CITY OF DETROIT TO THE COURT'S FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2787); OBJECTION TO THE COURT'S FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2778); THE WATER AND SEWER BOND TRUSTEE'S LIMITED OBJECTION TO THE FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2794); JOINDER OF WILMINGTON TRUST, NATIONAL ASSOCIATION, AS SUCCESSOR CONTRACT ADMINISTRATOR, TO (A) COMMENT TO THE FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES AND (B) THE WATER AND SEWER BOND TRUSTEE'S LIMITED OBJECTION TO THE FIRST AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT (DKT#2796); STATUS HEARING RE. MOTION OF DEBTOR FOR ENTRY OF AN ORDER, PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019, APPROVING A SETTLEMENT AND PLAN SUPPORT AGREEMENT AND GRANTING RELATED RELIEF (DKT#2802)

BEFORE THE HONORABLE STEVEN W. RHODES  
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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1 THE CLERK: All rise. Court is in session. Please  
2 be seated. Case Number 13-53846, City of Detroit, Michigan.

3 THE COURT: May we have appearances for the record,  
4 please?

5 MS. LENNOX: Good afternoon, your Honor. Heather  
6 Lennox from Jones Day on behalf of the city. With me in the  
7 courtroom are my partners, Tim Cullen, David Heiman, and Bob  
8 Hertzberg from Pepper Hamilton.

9 THE COURT: Thank you.

10 MR. MARRIOTT: Good afternoon, your Honor. Vince  
11 Marriott, Ballard Spahr, on behalf of EEPK and affiliates.

12 MR. HACKNEY: Good afternoon, your Honor. Stephen  
13 Hackney on behalf of Syncora.

14 MS. DIBLASI: Good afternoon, your Honor. Kelly  
15 DiBlasi, Weil, Gotshal, Manges, on behalf of Financial  
16 Guaranty Insurance Company.

17 MS. NEVILLE: Good afternoon, your Honor. Carole  
18 Neville from Dentons on behalf of the Retiree Committee, and  
19 with me is Claude Montgomery.

20 MS. ENGLISH: Good afternoon, your Honor. Caroline  
21 English from Arent Fox on behalf of Ambac Assurance  
22 Corporation.

23 MS. CECCOTTI: Good afternoon, your Honor. Babette  
24 Ceccotti, Cohen, Weiss & Simon, LLP, for the autoworkers.

25 MR. NEAL: Good afternoon, your Honor. Guy Neal,

1     Sidley Austin, National Public Finance Guarantee Corporation.

2             MR. HUEBNER: Good afternoon, your Honor. I'm  
3     Marshall Huebner of Davis, Polk & Wardwell on behalf of Bank  
4     of America.

5             MR. KRAMER: Your Honor, Dan Kramer from Paul, Weiss  
6     for UBS.

7             MR. LEMKE: Your Honor, David Lemke with Waller  
8     Lansden here for US Bank as trustee for the water and sewer  
9     bonds.

10            MR. JELINEK: Good afternoon, your Honor.  
11     Christopher Jelinek, Garan, Lucow, Miller, on behalf of  
12     Berkshire Hathaway Assurance Corporation.

13            MR. KANNEL: Good afternoon, your Honor. William  
14     Kannel, Mintz Levin, on behalf of the ad hoc committee of  
15     water and sewer bondholders.

16            MR. ROSENBLAT: Good afternoon, your Honor. Heath  
17     Rosenblat of Drinker, Biddle & Reath on behalf of Wilmington  
18     Trust National Association.

19            MS. PATEK: Good afternoon, your Honor. Barbara  
20     Patek of Erman Teicher on behalf of the public safety unions.

21            MS. GREEN: Good afternoon. Jennifer Green on  
22     behalf of the Retirement Systems and also Shannon Deeby on  
23     behalf of the Retirement Systems as well.

24            MR. FRIMMER: Good afternoon, your Honor. Rick  
25     Frimmer from Schiff Hardin on behalf of FMS Wertmanagement,

1 AOR.

2 MS. FISH: Good afternoon, your Honor. Deborah Fish  
3 from Allard & Fish on behalf of the ad hoc COP holders.

4 MR. SMITH: Hello, your Honor. Edwin Smith, Bingham  
5 McCutchen, for UBS AG, co-counsel with Paul, Weiss.

6 MR. KOHN: Good afternoon, your Honor. Samuel Kohn  
7 of Chadbourne & Parke on behalf of Assured Guaranty Municipal  
8 Corp.

9 MR. PLECHA: Good afternoon, your Honor. Ryan  
10 Plecha from Lippitt, O'Keefe, Gornbein on behalf of the  
11 retiree association parties.

12 MR. GOLDBERG: Good afternoon, your Honor. Jerome  
13 Goldberg on behalf of interested party David Sole.

14 THE COURT: Do we have any parties on the telephone  
15 who'd like to make an appearance?

16 MR. GROSS: Phillip Gross, Lowenstein Sandler, for  
17 AFSCME.

18 THE COURT: Hold on one second, please.

19 THE CLERK: Please repeat that.

20 MR. GROSS: Phillip Gross, Lowenstein Sandler, on  
21 behalf of AFSCME.

22 THE COURT: Thank you. Any others? All right. We  
23 have several things on our agenda for this afternoon. I'd  
24 like to begin with the various comments and objections that  
25 were filed in relation to the Court's order establishing



1 dates and deadlines and the first amended order establishing  
2 dates and deadlines. I want to thank all of you and express  
3 to the Court its appreciation for all of the work that you've  
4 put into those comments and objections. I find myself  
5 concurring with much of it, and appropriate adjustments will  
6 be made in the schedule and the dates and the deadlines on  
7 account of your submissions, so this has been valuable for  
8 the Court and I think for the process as well.

9 I do, however, need someone to walk me through in  
10 little baby steps the process for identifying individual  
11 bondholders because, hard as I tried, I couldn't quite get  
12 that, and that appears to be an important process here, so  
13 who volunteers?

14 MR. LEMKE: Your Honor, David Lemke for US Bank as  
15 trustee for the water and bondholders -- or water and sewer  
16 bondholders. So we tried to lay out the process graphically  
17 in our objection, but, in essence, what happens is that the  
18 solicitation package, once approved, would be delivered to  
19 DTC, which holds most, if not all, of these bonds except the  
20 SRF bonds in street name, and so DTC has participants, which  
21 are typically banks, broker-dealers, other financial  
22 institutions that then are really the only level of holder  
23 that DTC knows, so the solicitation package would get to the  
24 participants, and then the participants would downstream  
25 those solicitation packages or packets to their customers

1 that may be the beneficial holders, but they might actually  
2 be holding on behalf of somebody else. They could just be  
3 custodians, and so then the custodians would have to then get  
4 those solicitation packets on down the next level until  
5 ultimately the beneficial holders receive the packets. Then  
6 the holders would have an opportunity hopefully to review  
7 them, get advice, legal and financial advice, fill them out,  
8 and then they go right back up that same process basically to  
9 the point where they -- ultimately those ballots get back to  
10 the participant that is the original nominee, and then that  
11 participant consolidates the ballots that come up under its  
12 holders, which are identified primarily by CUSIP numbers. It  
13 consolidates those ballots into a master ballot, then  
14 delivers that master ballot to the balloting agent for the  
15 debtor, so that's the shorthand of the process. I don't know  
16 if I left anything out, and if I did, someone can correct me.  
17 Our --

18 THE COURT: So how much -- I'm sorry. Go ahead.

19 MR. LEMKE: I was going to say our best estimate,  
20 based on other cases we've been involved in, is that that is  
21 at least a 60-day process. It could take a little longer.  
22 You might be able to do it faster, but if you really want to  
23 try to give the beneficial holders a fair and adequate  
24 opportunity we believe to have time to not only get the  
25 information but process it, understand it, get questions

1 answered, and get all that back up --

2 THE COURT: Um-hmm.

3 MR. LEMKE: -- in time, that that is --

4 THE COURT: So that's the round trip.

5 MR. LEMKE: That's the round trip, and we asked for  
6 67 days, I think, in our proposal. It would just build in a  
7 little bit extra cushion.

8 THE COURT: And so how much of that is done  
9 electronically as opposed to by regular mail or other  
10 personal service?

11 MR. LEMKE: Oh, you may have asked me a question I'm  
12 not sure about. I don't know how -- I don't know how DTC --

13 THE COURT: You volunteered.

14 MR. LEMKE: Yeah, I did. I'm starting to regret  
15 that. I assume that the participants push out a lot of the  
16 information electronically, at least to the level of their  
17 next -- the next level down to the custodians, and that there  
18 may be a point in time where some of that gets pushed out  
19 physically by mail because you could get down to beneficial  
20 holders that are literally, you know, individuals, small  
21 companies. They're not going to all -- in fact, most of them  
22 probably are not going to be institutional holders, so I  
23 would hazard a guess that there is a combination of  
24 electronics and -- transmission and physical transmission.  
25 In addition --

1           THE COURT: Well, but does the transmission actually  
2 consist, whether electronically or otherwise, of the full  
3 disclosure statement, or is it simply a notice of the website  
4 to go to to look at the disclosure statement and the other  
5 materials?

6           MR. LEMKE: My only experience is that it physically  
7 goes, that the packet physically goes. I don't know if there  
8 would be a way that would -- you could do it so that it was  
9 electronically posted. You would still have to know that  
10 obviously the notice got all the way down the cycle so --

11          THE COURT: Right.

12          MR. LEMKE: -- they would know where to look and get  
13 all the information.

14          THE COURT: Right.

15          MR. LEMKE: But at least in my past experience,  
16 yeah, they've usually been a -- it's been a CD, I think,  
17 which is what the debtor was proposing, would literally be  
18 transmitted down the line to the ultimate beneficial holders.

19          THE COURT: Okay. And so how does this process that  
20 you've described of drilling down, if I can call it that,  
21 work in the context of giving bond owners or holders notice  
22 of the time to object to either the plan or the disclosure  
23 statement, and how do you foresee that playing out?

24          MR. LEMKE: The objection -- well, objection to the  
25 disclosure statement -- I mean what happens is --

1 THE COURT: Ms. Lennox is so eager.

2 MR. LEMKE: Pardon me?

3 THE COURT: I'll give you a chance in a moment.

4 MR. LEMKE: Okay. So the objection to the  
5 disclosure statement is what we would -- the trustee would  
6 post a notice, would submit a notice to DTC that would go  
7 through the process, would also post a notice on what's  
8 called EMMA, which is an electronic site where if anyone  
9 understands how these things work they can get onto EMMA and  
10 track by CUSIP and see the notices, so typically that's the  
11 way notices of these -- those kinds of deadlines get provided  
12 to the bondholders. And, of course, the bondholders have the  
13 ability to monitor the case like any other creditor interest.

14 THE COURT: So how long does that take from start to  
15 actual notice?

16 MR. LEMKE: You know, I would assume it's at least  
17 half the time, that if you are -- if you are waiting on or  
18 counting on the ultimate beneficial holder to get a physical  
19 copy of the notice or some sort of an e-mail, that that could  
20 be a full 30-day process for them to get that notice. The 60  
21 days, remember, includes coming back up the system, and at  
22 least on -- with respect to the objection to the plan -- and,  
23 you know, I don't know if there is a typical case, but  
24 oftentimes that objection date is tied to the voting deadline  
25 as well, and so they actually get notice of that when they

1 get the solicitation package, too --

2 THE COURT: Okay.

3 MR. LEMKE: -- as opposed to, you know, a date prior  
4 to the vote --

5 THE COURT: Thank you.

6 MR. LEMKE: Okay.

7 THE COURT: Ms. Lennox.

8 MS. LENNOX: Just to clarify a couple of the  
9 questions that your Honor asked Mr. Lemke, with respect to  
10 how people got the disclosure statement notice because, as  
11 your Honor recalls, you entered an order approving that  
12 notice and also requesting that your first amended order be  
13 sent out with it. Those two documents were actually mailed  
14 by KCC and run through the DTC system by last Friday. By  
15 last Friday 173,000 notices went out, and the ones to get to  
16 the beneficial bondholders will go through that process that  
17 Mr. Lemke just indicated.

18 THE COURT: Um-hmm. And do you agree that that will  
19 take 30 days?

20 MS. LENNOX: I think for the solicitation packages,  
21 which will be a little more extensive, it might take as long  
22 as 30 days. You know, hard for me to say, you know, how many  
23 beneficial holders are congregated with one nominee and all  
24 that sort of thing, but it could take that long. With  
25 respect --

1           THE COURT: Well, but my question was will it take  
2 that long for what was -- what KCC just sent to get to the  
3 beneficial owners?

4           MS. LENNOX: Chances are with just a couple of  
5 notices, just a few pages, that should be a faster process, I  
6 would think.

7           THE COURT: How much faster? Any idea?

8           MS. LENNOX: I have no idea, your Honor. You know,  
9 the internal workings of DTC in some instances are mysterious  
10 to those of us who don't live it.

11          THE COURT: Wonderful.

12          MS. LENNOX: With respect to the solicitation  
13 packages, it is -- and we mentioned this in our solicitation  
14 motion. What we would propose to send to people who get to  
15 vote like beneficial holders, we would send a confirmation  
16 hearing notice, a CD-ROM containing the plan and the  
17 disclosure statement and any ancillary exhibits we filed by  
18 that time. We would have a physical ballot and a return  
19 envelope so they can send it back to their nominees and then  
20 probably a cover letter explaining this stuff, and so that is  
21 a physical package that for people that vote gets transmitted  
22 down the line physically because that ballot has to be filled  
23 out and signed and sent back, so that -- you know, that  
24 process I would expect would take --

25          THE COURT: Um-hmm. And why is it that the ballot

1 doesn't come back directly to your balloting office?

2 MS. LENNOX: Because the whole purpose of holding  
3 securities in street name as opposed to the -- you know, the  
4 beneficial holder, Joe Smith, owns this bond --

5 THE COURT: Um-hmm.

6 MS. LENNOX: -- is because, one, in some instances  
7 it's a lot more efficient to have people who are broker-  
8 dealers do this all the time, and in some cases, particularly  
9 for large institutional funds who like to trade a lot, they  
10 don't want people to know what they hold and when they hold  
11 it, and so the notices go down through the system. For  
12 example, the city has no idea unless they come and tell me  
13 they're a beneficial holder who a beneficial holder is.

14 THE COURT: Right.

15 MS. LENNOX: So part of it is secrecy. Part of it  
16 is efficiency, and that's the system that we've --

17 THE COURT: Well, let's address those because they  
18 both confuse me.

19 MS. LENNOX: Um-hmm.

20 THE COURT: Secrecy we can guarantee with an order;  
21 right? Not secrecy. It's confidentiality.

22 MS. LENNOX: Confidentiality, yeah. In what  
23 respect?

24 THE COURT: Well, for example, if your balloting  
25 agent is KCC -- I don't know who it is, but --



1 MS. LENNOX: Yes, it is.

2 THE COURT: -- if it is, we can enter an order that  
3 prohibits them from disclosing who owns City of Detroit  
4 bonds.

5 MS. LENNOX: We could, and --

6 THE COURT: All right. So let's move to efficiency.  
7 It sounds to me like it's more efficient for ballots to go  
8 directly to them rather than through this convoluted --

9 MS. LENNOX: Here's the problem.

10 THE COURT: -- here, there, and everywhere --

11 MS. LENNOX: Here's the problem.

12 THE COURT: -- process. Yes.

13 MS. LENNOX: Bonds trade. The only system that  
14 keeps record of how bonds trade and who holds what at any  
15 given time is the DTC electronic system.

16 THE COURT: Well, I get that for sending the  
17 solicitation package to them. I don't quite get it for why  
18 it has to go back up through that to file the -- or to submit  
19 the ballot.

20 MS. LENNOX: Well, for a couple of things, your  
21 Honor. One is, first of all, they're going to have to --  
22 we're going to have a voting record date. We've asked for  
23 that in the -- so they're going to know who's holding as of  
24 that date and who to send the packages to.

25 THE COURT: Right.

1 MS. LENNOX: They will also keep track of who -- I  
2 mean things can trade after the voting record date.

3 THE COURT: I'm sorry. Yes, um-hmm.

4 MS. LENNOX: And so if things traded out, they need  
5 to know who voted but who holds it right now, who's entitled  
6 to vote but who holds it right now. In addition, on our  
7 bonds -- or on our ballots --

8 THE COURT: Well, but they'll only send a ballot to  
9 people who are entitled to vote; right?

10 MS. LENNOX: They will only send the ballot to the  
11 people that are entitled to vote.

12 THE COURT: So if you get a ballot back, you can  
13 presume it's from a person who is entitled to vote.

14 MS. LENNOX: Right, but they're the only ones. If  
15 they sent the -- if they sent -- DTC -- or KCC does not have  
16 access to DTC's internal record-keeping --

17 THE COURT: Um-hmm.

18 MS. LENNOX: -- who owns what --

19 THE COURT: Right.

20 MS. LENNOX: -- and in what amount.

21 THE COURT: Right.

22 MS. LENNOX: Somebody has to verify that to us.  
23 Somebody has to verify that to KCC because KCC can't do it.  
24 The city can't do it. The only people --

25 THE COURT: Oh, so when the ballot is filled out and

1 returned, there's information on it that has to get verified?

2 MS. LENNOX: Yes, sir.

3 THE COURT: Oh, I missed that part.

4 MS. LENNOX: Yes, sir.

5 THE COURT: Okay. That explains that then.

6 MS. LENNOX: Yeah.

7 THE COURT: All right.

8 MS. LENNOX: In addition, as part of our  
9 solicitation procedures, there are certain classes that get  
10 to make elections about do you want this kind of bond or that  
11 kind of bond. Those elections are also kept track of through  
12 the DTC system. Again, they're the only ones that can really  
13 do that, so they'll be the ones providing the --

14 THE COURT: Okay.

15 MS. LENNOX: -- information on that.

16 THE COURT: All right.

17 MS. LENNOX: Thank you, your Honor.

18 THE COURT: Thank you. Something you wanted to add,  
19 sir?

20 MR. KOHN: Yes, to your question. Samuel Kohn --

21 THE COURT: Your name on the record again, please?

22 MR. KOHN: Samuel Kohn of Chadbourne & Parke on  
23 behalf of Assured Guaranty Municipal Corp. In Jefferson  
24 County, I was intimately involved with the --

25 THE COURT: Would you keep your voice up for me?

1 MR. KOHN: Sure. In the Jefferson County Chapter 9  
2 case, I was intimately involved in the procedures with KCC on  
3 behalf of my client, and I just want to address one point  
4 about -- your Honor, about why the ballots cannot go back to  
5 KCC or the city is that the nominees and the banks won't do  
6 it. They won't disclose who the beneficial holders are. The  
7 beneficial holders have to go back to the nominees.

8 THE COURT: Well, they will if I order it.

9 MR. KOHN: You could try, your Honor. That's all I  
10 wanted to say, but --

11 THE COURT: I'm not going to --

12 MR. KOHN: -- I just don't get --

13 THE COURT: -- but I don't like to be told that  
14 people won't do something.

15 MR. KOHN: I understand, your Honor, and, believe  
16 me, we --

17 THE COURT: We're not accustomed to be told no.  
18 It's just not -- we don't get that.

19 MR. KOHN: I get it.

20 THE COURT: Okay.

21 MR. KOHN: I believe that we tried for that to  
22 shorten the process.

23 THE COURT: Thank you for the forewarning, but it's  
24 not an issue. Ms. Lennox has persuaded me that we need to --  
25 we need to follow that protocol.

1 MR. KANNEL: May I, your Honor --

2 THE COURT: Yes.

3 MR. KANNEL: William Kannel for the ad hoc water and  
4 sewer holders committee. With all due respect to Mr. Kohn,  
5 Ms. Lennox, and Mr. Lemke, and all lawyers, I have found over  
6 the years that lawyers cannot wrap their brains around the  
7 DTC system. I think probably the best way to figure out the  
8 best way to do this is to get KCC -- I don't know if somebody  
9 from KCC is here -- to explain it to your Honor. For  
10 example, in JeffCo, there were situations where certain  
11 parties were able to skip the way back up and send their  
12 ballots directly to KCC and avoid the back up through the  
13 nominee system, so there are ways to do these things, but  
14 it's KCC who gets the battle pay to figure that out, not the  
15 lawyers.

16 THE COURT: Um-hmm. Well, I appreciate that, but I  
17 only asked about the return trip to see if any time could be  
18 saved in the schedule by that, but if any of the ballots are  
19 going to go back through that laborious process, then we have  
20 to account for it in the process even if not all of them  
21 will, so that was the purpose of the education I was asking  
22 for there. All right. So at this point I would propose to  
23 simply throw it open to you to make your comments regarding  
24 the proposed schedule, and we'll just open it up for your  
25 free-for-all. Well, that's what it is.

1 MS. LENNOX: It is a bit of a free-for-all, your  
2 Honor, so I guess I might as well start as the representative  
3 of the city. And would you like me to address at all  
4 anything in the solicitation motion other than maybe things  
5 like moving deadlines?

6 THE COURT: I'd just as soon hold on that one.

7 MS. LENNOX: That's fine. Thank you.

8 THE COURT: Thank you.

9 MS. LENNOX: So obviously we were certainly pleased  
10 with the schedule that your Honor proposed. We do want to  
11 move expeditiously, and we'll accommodate whatever schedule  
12 your Honor sets forth. We had only proposed a few changes.  
13 The first was a slight three-day request to give us a little  
14 more time, another three or four days to respond to the  
15 disclosure statement, so we asked to move that to April  
16 28th -- or I'm sorry -- not April 28th, April 8th. We  
17 also -- if the plan objection deadline is moved, which is  
18 something that many -- I think all of the respondents have  
19 suggested, there are different dates suggested.

20 THE COURT: Could you pull the mike down for me,  
21 please?

22 MS. LENNOX: Sorry. Thank you, your Honor. The  
23 city, I think, out of all of the responders suggested the  
24 earliest date for plan objections. We suggested April 28th,  
25 and that is early by at least two weeks from the next date

1 proposed, but at least after that time we will know what the  
2 final solicitation version of the plan is at the disclosure  
3 statement the 14th, so we gave people two weeks to react to  
4 it. So with that, if that is the date that your Honor picks  
5 for plan objections, then we would suggest our deadline to  
6 file a combined response to those objections slightly --  
7 about two weeks later on May 12th.

8 In addition, we did explain to your Honor -- and you  
9 just heard some more about it -- about the solicitation  
10 process, so if we start a solicitation -- or we have the  
11 disclosure statement hearing on the 14th, we need a few days  
12 to finalize the documents and make any changes required by  
13 the hearing. KCC needs at least a week to prepare all these  
14 packages -- there's going to be over a hundred thousand --  
15 and send them out, so we thought balloting could begin -- the  
16 solicitation process itself could begin on the 24th of April.

17 THE COURT: So how many days is that after that  
18 hearing?

19 MS. LENNOX: Ten days after the hearing, your Honor.

20 THE COURT: Okay.

21 MS. LENNOX: If we -- the city had proposed a 45-day  
22 solicitation period, which would take us from the 24th of  
23 April to June 9th. If your Honor is inclined to grant a 60-  
24 day period, that would take us to June 23rd for balloting.  
25 In that case, the -- again, we are going to -- as your Honor

1 may be understanding, we're going to have an enormous amount  
2 of ballots and an enormous amount of bond series coming in,  
3 so KCC would like at least ten days to try to tabulate all  
4 that stuff because they all tend to come in at the last  
5 minute anyway. So if we are going to do -- if we did a 45-  
6 day solicitation period, then the balloting would be done on  
7 the 19th of June. If we do a 60-day solicitation period, it  
8 would be tabulated by July 7th. And then we sort of just  
9 took the dates from your Honor's calendar thereafter for how  
10 he wanted to -- how you wanted to hold the hearing.

11 We also had proposed in terms of plan argument --  
12 your Honor had bifurcated the arguments into legal and  
13 nonlegal.

14 THE COURT: Yeah. I'm giving up on that.

15 MS. LENNOX: Okay. Well, then I will refrain from  
16 suggesting the comments on that, but in any event, our  
17 schedule -- again, the schedule we proposed originally with a  
18 45-day solicitation period would take us out to a  
19 confirmation hearing starting on June 23rd. If we add  
20 another two weeks to that, then we add another two weeks to  
21 that.

22 THE COURT: Okay.

23 MS. LENNOX: So thank you, your Honor.

24 THE COURT: All right.

25 MR. MARRIOTT: Good afternoon, your Honor. Vince



1     Marriott, EEPK and affiliates, although I stand to speak on  
2     behalf of a group of creditors.

3             THE COURT:   Um-hmm.  I appreciate that.  Thank you.

4             MR. MARRIOTT:  And there may be one aspect of what  
5     I'm going to talk about that there will be some additional,  
6     but --

7             THE COURT:   Okay.

8             MR. MARRIOTT:  -- I'm hoping to cover everything  
9     that this group had.  As you know, we submitted a proposed --

10            THE COURT:   Um-hmm.

11            MR. MARRIOTT:  -- alternative order --

12            THE COURT:   Um-hmm.

13            MR. MARRIOTT:  -- which extended the total timeline  
14     by 30 days.

15            THE COURT:   Um-hmm.

16            MR. MARRIOTT:  It was our objective in limiting how  
17     far we extended the total --

18            THE COURT:   Um-hmm.

19            MR. MARRIOTT:  -- timeline to be sensitive to your  
20     desire for a prompt resolution of the case, and it was our --  
21     it was our hope, in any event, that a 30-day extension would  
22     not be a material change to your vision for prompt  
23     resolution.  Within that 30-day period, we proposed some  
24     additional structural and timeline changes and just that the  
25     philosophical points behind them really were making sure that

1 the notice periods of Rule 2002(b) and 3017(a) --

2 THE COURT: Um-hmm.

3 MR. MARRIOTT: -- were observed in part or driven in  
4 part by the city's acknowledgement in its filing that the  
5 plan that it filed a couple of weeks ago is unlikely to be  
6 the plan it seeks confirmation of and that that will  
7 materially change with the likely date for filing the plan  
8 they will, in fact, seek confirmation of, being April 14th.  
9 In our view, that would be what would start, you know, the  
10 28-day clock. Presumably notice would go out with the  
11 solicitation --

12 THE COURT: Twenty-eight-day clock for --

13 MR. MARRIOTT: For filing objections to the plan --

14 THE COURT: Um-hmm.

15 MR. MARRIOTT: -- which we then proposed would be  
16 May 15th. The third sort of philosophical piece is the  
17 enormous complexity of this case and the information that  
18 will be needed as to operations, assets, and liabilities  
19 within the context of what the plan ultimately proposes and  
20 the discovery that would be attendant to that and the need  
21 for sort of an orderly discovery process, and then finally  
22 the logistical difficulties which we've already discussed,  
23 which I do want to point out -- and by the way, I'll second  
24 the motion that lawyers don't understand DTC because I don't,  
25 but it's not just actually the DTC process. There is -- the

1 retirees also present a significant --

2 THE COURT: Um-hmm.

3 MR. MARRIOTT: -- logistical hurdle which Ms.  
4 Neville I think will address in somewhat more detail. I  
5 won't go into that now. In any event, as we indicated with  
6 the commentary to our proposed revised order, we made five  
7 principal changes and then some additional changes --  
8 conforming changes necessary to --

9 THE COURT: Um-hmm.

10 MR. MARRIOTT: -- reflect those five structural  
11 changes. The changes are intended to provide for adequate  
12 notice, solve the logistical issues, permit the necessary  
13 discovery, and promote a process that is as efficient as  
14 possible. I'm going to organize my commentary on our  
15 proposed order a little differently -- or my discussion of it  
16 this afternoon a little differently than our commentary did.  
17 I'm going to discuss it by timeline as it relates to the  
18 disclosure statement, the plan, and discovery. I'm not going  
19 to get into the details of specific dates except to the  
20 extent that they matter to the discussion. You've got our  
21 proposed revised order, and you see what we have been  
22 proposing in that regard.

23 As to the disclosure statement, I'll first note that  
24 we don't propose a change to the length of the timeline with  
25 respect to the disclosure statement. It would still be

1 objection deadline of April 1st and a hearing on April 14th.  
2 We do propose a number of changes within the timeline.

3 THE COURT: Um-hmm.

4 MR. MARRIOTT: The first is to eliminate the waiver  
5 aspect of the moratorium.

6 THE COURT: I agree with you on that one.

7 MR. MARRIOTT: Okay. Then I'll say no more about  
8 that. The second is to insert a date by which the city would  
9 file any amendments to the disclosure statement it  
10 anticipates doing so that that is done before the objection  
11 deadline, and we're objecting to the disclosure statement  
12 that the city will actually seek approval of and not  
13 something that predates it and unnecessarily gives rise to  
14 objections that may be mooted out by revisions. We think  
15 that promotes efficiency. And the third thing with respect  
16 to the disclosure statement -- and it went to sort of the  
17 bifurcation of confirmation issues, which I understand is  
18 being eliminated, but we did think --

19 THE COURT: Yes.

20 MR. MARRIOTT: Right. But we did think it would --  
21 we did think there was something in that idea that had merit,  
22 and that was as and to the extent that the plan would be  
23 unconfirmable on its face, that that might be appropriate to  
24 be considered at the disclosure statement stage to waste  
25 every -- so that these packages aren't going out to a hundred

1 and some odd thousand people if there's a plan that on its  
2 face is unconfirmable, so we -- I'll use the word --

3 THE COURT: Yeah. I know there are cases that have  
4 approved that. I never have. I have always found it when I  
5 have tried to walk down that path to be actually more  
6 confusing and less efficient in the long run, so I'm not  
7 persuaded to do that here.

8 MR. MARRIOTT: Okay. So that's the disclosure  
9 statement. The plan. We do propose changes to the plan  
10 timeline.

11 THE COURT: Um-hmm.

12 MR. MARRIOTT: First, we propose to push the  
13 objection deadline to after the close of at least document  
14 discovery.

15 THE COURT: Um-hmm.

16 MR. MARRIOTT: This is -- the idea here is that  
17 nobody wants to be litigating things that don't have to be  
18 litigated.

19 THE COURT: Um-hmm.

20 MR. MARRIOTT: An earlier -- before we have any sort  
21 of idea of what the plan is and sort of the support for it,  
22 any plan objection would have to be more general and more  
23 kitchen sink than I think would be useful either to the city  
24 or --

25 THE COURT: I assume we're going to get that no

1 matter what the deadline is.

2 MR. MARRIOTT: Well, I would hope not. I mean I  
3 hope we could have targeted objections.

4 THE COURT: I mean in our standard mode of  
5 litigation in this country, we have a request for relief, we  
6 have a response, and then we have discovery on what the  
7 issues are that arise from the moving paper and the response.

8 MR. MARRIOTT: Well, in --

9 THE COURT: This is a variation from that.

10 MR. MARRIOTT: It's not an atypical variation. I  
11 mean it is not -- it is more the case than not that in large  
12 complex Chapter 11's, plan objections are due at the same  
13 time as votes. We're not asking for that. We're not asking  
14 for that not because it wouldn't be better for us because  
15 that would also be the conclusion of most discovery, but  
16 we're not asking for that because we understand the value of  
17 providing to the Court and to the city at least the principal  
18 objections to the plan earlier in the process rather than  
19 later.

20 THE COURT: In the eligibility phase here, we had  
21 initial objections, and then didn't I also allow for  
22 supplemental objections that arose from the discovery  
23 process?

24 MR. MARRIOTT: We're proposing a variant of just  
25 that. In other words, our proposal --

1 THE COURT: I do recall that correctly?

2 MR. MARRIOTT: Yes. I think that was --

3 THE COURT: Okay. So why not that process here?

4 MR. MARRIOTT: Well, we're proposing a variant of  
5 that process in that we need 28 days from whatever plan is  
6 actually going to be solicited.

7 THE COURT: Right.

8 MR. MARRIOTT: Let's assume that the city has its  
9 final plan on April 14th, which is what I understand their  
10 aspiration to be based upon what they filed on Friday. We  
11 propose a --

12 THE COURT: By the way, parentheses, does that mean  
13 mediation will be done by then?

14 MR. MARRIOTT: Are you asking me?

15 THE COURT: Um-hmm. You're the one at the -- you're  
16 the one that volunteered.

17 MR. MARRIOTT: I don't know. So the March 15th date  
18 we're proposing --

19 THE COURT: You see my concern.

20 MR. MARRIOTT: I do, but the March -- the May 15th  
21 date we're proposing for initial plan objections is within a  
22 few days of the 28-day notice requirement anyway and has the  
23 advantage of under our proposed order being at the end of  
24 document discovery, and then our proposal provides for  
25 supplemental objections to the plan based upon the conclusion

1 of discovery and the results of voting because the results of  
2 voting could have an impact on what objections can or can't  
3 any longer be made. Let's see. All right. I think that  
4 that's basically what I wanted to discuss regarding the plan  
5 timeline.

6 THE COURT: Okay.

7 MR. MARRIOTT: Finally, Judge, we've adjusted the  
8 timeline for discovery and added a few date points --

9 THE COURT: Um-hmm.

10 MR. MARRIOTT: -- for two reasons. First is to  
11 promote the efficient conduct of discovery. Depositions tend  
12 to get repeated if document production is either incomplete  
13 or --

14 THE COURT: Right.

15 MR. MARRIOTT: -- not yet made before, so we've  
16 tried to build in time to get documents and then do  
17 discovery, so we've pushed out some of the deadlines for  
18 taking depositions --

19 THE COURT: Um-hmm.

20 MR. MARRIOTT: -- to allow there to be sufficient  
21 time to take them after document production. We have also  
22 added some dates for the disclosure of witnesses in  
23 sufficient time to allow --

24 THE COURT: Um-hmm.

25 MR. MARRIOTT: -- depositions to be taken of those



1 witnesses who have been disclosed, and we've just -- we've  
2 also, as a generic matter, built in additional time overall  
3 for discovery because of the complexity and the various  
4 issues that will need to be addressed in connection with a  
5 fully developed record for this Court come the confirmation  
6 hearing whenever the confirmation hearing occurs. And as I  
7 say, our proposal is to push that out to the middle of July,  
8 so 30 days. That's what -- I'm sorry. Go ahead.

9 THE COURT: Let me go back to the plan objection  
10 deadline.

11 MR. MARRIOTT: Yes.

12 THE COURT: And I want to -- I want to separate the  
13 bondholders from the rest of you for just a moment because it  
14 may be necessary to give them a later deadline, so we'll  
15 separate. Isn't it fair to conclude that you all have known  
16 at least in broad principle what the city's plan would be for  
17 months and that you have been working on your plan objections  
18 for at least that long?

19 MR. MARRIOTT: But, Judge, I actually don't know  
20 that that is fair to say. The treatment proposed by the city  
21 for various classes of creditors, including the creditors --  
22 the holders of the comps, in both public and nonpublic  
23 iterations -- and I can't, therefore, sort of walk you  
24 through the changes, but there have been changes, and there  
25 have been material, and the latest version of the plan is

1 different in treatment of various creditors than earlier  
2 iterations of what have been proposed.

3 THE COURT: No. I get all that, but the objections  
4 that are available under the Bankruptcy Code are limited in  
5 number.

6 MR. MARRIOTT: Yes, but --

7 THE COURT: And, you know, let's --

8 MR. MARRIOTT: I don't know how --

9 THE COURT: -- you know, put our cards on the table  
10 here and agree that whatever objections are available will be  
11 made.

12 MR. MARRIOTT: Yes.

13 THE COURT: All right.

14 MR. MARRIOTT: But -- yes, that's true. Whatever  
15 objections are available, but --

16 THE COURT: And presumably you've been researching  
17 and getting going on them for months.

18 MR. MARRIOTT: Nevertheless --

19 THE COURT: Okay.

20 MR. MARRIOTT: Nevertheless, most of these  
21 objections, including the most significant ones, best  
22 interest of creditors, feasibility, fair and equitable, they  
23 are mixed questions of law and fact, and to simply say --

24 THE COURT: Um-hmm.

25 MR. MARRIOTT: I mean to simply file an objection

1 that says the plan fails to meet the best interest of  
2 creditors test objection -- objection to a plan, it would  
3 be -- I think it's more useful to everybody if we can say the  
4 plan fails to meet the best interest of creditors because,  
5 and --

6 THE COURT: That would help me.

7 MR. MARRIOTT: Yes. And the "because" depends on a  
8 number of things. One --

9 THE COURT: Right. What's the plan, of course.

10 MR. MARRIOTT: -- what the plan ultimately -- and,  
11 two, what discovery might reveal about what the debtor's  
12 other alternatives would have been that were not pursued and  
13 would have resulted in a better treatment for creditors.  
14 That's the reason, in our view, that we need the 28-plus days  
15 after the actual plan has been filed and the conclusion of  
16 some discovery to file an initial objection that's at least  
17 meaningful and helpful.

18 THE COURT: Well, let's just drill down with one  
19 more question, and then I will let you off the hook --

20 MR. MARRIOTT: Fine, your Honor.

21 THE COURT: -- which is what do you foresee about  
22 the document discovery which will come in addition to the  
23 plan itself and the disclosure statement --

24 MR. MARRIOTT: Yes.

25 THE COURT: -- that will enable you to fill in that

1 "because" blank more specifically?

2 MR. MARRIOTT: Judge, the document discovery will go  
3 to such things as the city's calculation of its various  
4 liabilities, the city's valuation of its various assets, the  
5 city's operational intentions and whether or not those  
6 operational intentions are as much as could be done to create  
7 additional revenue or not. For example, if asset "X" is  
8 valued under the plan at dollar "Y" and the plan provides for  
9 a particular treatment of that asset and, in fact, creditors  
10 believe that it's not worth "Y," it's worth "Y" plus, that  
11 would be a best interest of creditors objection, for example,  
12 but one that would be informed by discovery that would  
13 make --

14 THE COURT: Um-hmm.

15 MR. MARRIOTT: -- clear the debtor's views and why  
16 the debtor held them, and we could indicate what our views  
17 are and why we disagree with the debtor.

18 THE COURT: Um-hmm. Okay.

19 MR. MARRIOTT: If you have no more questions for me,  
20 I will cede the podium to Ms. Neville, who will discuss the  
21 other logistical hurdle.

22 THE COURT: Okay. Thank you, sir.

23 MS. NEVILLE: Carole Neville on behalf of the  
24 Retiree Committee. Your Honor, I'm going to lobby you for a  
25 longer period of time for solicitation of the retirees for

1 similar reasons.

2 THE COURT: How much time?

3 MS. NEVILLE: I would like the same 60 days that the  
4 bondholders are asking for. Our problems are different.

5 THE COURT: Um-hmm.

6 MS. NEVILLE: We are contemplating individualized  
7 ballots, which means that there has to be an agreement with  
8 the city on the calculation of the claims that are going to  
9 be voted. They have to be sent to retirees. Well, first we  
10 need a disclosure statement that -- or a disclosure addendum  
11 or attachment that's tailored to the retirees, which we  
12 haven't gotten yet or seen or worked on.

13 THE COURT: Which would disclose what?

14 MS. NEVILLE: Well, I think it would be a simplified  
15 version of the description of the plan and the treatment of  
16 retirees because I can't imagine sending out the CD's to a  
17 population that has thousands over 85 --

18 THE COURT: Um-hmm.

19 MS. NEVILLE: -- and expecting it to be really  
20 understood.

21 THE COURT: I agree with you. I'm very concerned  
22 about that, and as I said before, the primary two things  
23 creditors want to know -- and I assume this is the  
24 retirees -- is how much they're going to be paid and when.

25 MS. NEVILLE: Well, complicated question in case of

1 a pension and healthcare benefits, so --

2 THE COURT: But it can't be. It has to be --

3 MS. NEVILLE: Well --

4 THE COURT: -- straightforward for the people to  
5 understand what they're voting on.

6 MS. NEVILLE: Well, I understand that, and it can be  
7 simplified, but it needs to be a little bit separate from  
8 what the regular creditors are getting to walk people through  
9 it, and the calculation itself is complicated where we need  
10 the help of actuaries. We need accord among the actuaries to  
11 get to that point where -- and it's close.

12 THE COURT: Has that been challenging?

13 MS. NEVILLE: Yeah, it's challenging, but it's  
14 closer than you would imagine. So then -- and then so after  
15 that there is a formulation of these 32,000 individualized  
16 ballots, sending them out and collecting them, and they, too,  
17 have a confidentiality problem because we certainly don't  
18 want to disclose people's pension amounts and their Social  
19 Security numbers or any other identifying --

20 THE COURT: How did you get to 32,000? I thought it  
21 was 20,000.

22 MS. NEVILLE: Yes, but there are beneficiaries who  
23 are entitled to balloting, and there's active vested --  
24 vested active employees, so --

25 THE COURT: Oh, okay.

1 MS. NEVILLE: -- you add it all together, and it  
2 comes out to --

3 THE COURT: Okay.

4 MS. NEVILLE: -- 32,000 ballots that we have, so I  
5 am lobbying for the same --

6 THE COURT: You want to send each one of them an  
7 individualized ballot.

8 MS. NEVILLE: Yes.

9 THE COURT: And by "individualized," do you mean  
10 their name on it and what else?

11 MS. NEVILLE: State their claim amount, what they're  
12 voting, because that's the only way I think we can calculate  
13 whether the classes accept or reject the plan.

14 THE COURT: Um-hmm.

15 MS. NEVILLE: So we have to give people -- and they  
16 can't calculate it themselves. I mean I looked at some of  
17 the proofs of claim that were filed, and they're -- by  
18 individuals, and they're all over the map, so we need to do  
19 that, and that's a long involved process.

20 THE COURT: And have you worked with the city yet on  
21 how to -- what the formula is to calculate that?

22 MS. NEVILLE: We are. We're working towards that,  
23 yeah. I think --

24 THE COURT: That's where the actuaries come in?

25 MS. NEVILLE: Right; right.

1 THE COURT: Okay.

2 MS. NEVILLE: We are getting to that point. The  
3 actuaries are meeting. They have a timetable to agree on  
4 numbers on the 21st of March. It's not such an easy process.

5 THE COURT: Right.

6 MS. NEVILLE: So that's number one. Number two, I  
7 want to -- I want to focus again --

8 THE COURT: So it's 60 days from what to what that  
9 you're asking for?

10 MS. NEVILLE: I think I would concur with the  
11 bondholders on the deadline, so I think what that means is  
12 it's -- the voting deadline would be moved to the 23rd of  
13 June, to 60 days from --

14 THE COURT: Right, but it's 60 days from --

15 MS. NEVILLE: The mailing of the solicitation  
16 package.

17 THE COURT: Package. Okay.

18 MS. NEVILLE: The 24th. The second thing I wanted  
19 to address with your Honor is this issue of unconfirmable on  
20 its face.

21 THE COURT: Which I already said I'm not going to  
22 do.

23 MS. NEVILLE: I know, but I'm going to try and lobby  
24 you a little bit, if I may.

25 THE COURT: You may make your record.



1 MS. NEVILLE: Your Honor, this is a serious question  
2 for the retirees because their other post-employment benefit  
3 claims are classified in the same class as their pension  
4 claims, so we would be soliciting ballots -- if we don't  
5 resolve this issue on the disclosure statement deadline, we  
6 would be sending people ballots that wouldn't necessarily be  
7 the vote for the class or would be the vote for the class  
8 that would be inappropriate because the OPEB claim and the  
9 pension claim are two different claims. And at the moment,  
10 for the police and fire-fighters, the OPEB and the pension  
11 claims are classified in the same class, and the same thing  
12 is true for the General Retirement System. They're two  
13 different claims. They get different treatment within the  
14 class, and so I think we have to resolve at the disclosure  
15 statement stage before we solicit whether we have the proper  
16 classification.

17 THE COURT: Any other issues?

18 MS. NEVILLE: There are other issues, but I think  
19 this is the one that just really leaps out because it  
20 involves solicitation as well as confirmation. You have to  
21 have -- you'd have to design the --

22 THE COURT: You may have opened the door a crack.

23 MS. NEVILLE: I opened the door a crack. All right.

24 THE COURT: You may have.

25 MS. NEVILLE: Thank you. Well, that's all I have to

1 say.

2 THE COURT: All right.

3 MR. LEMKE: Your Honor, David Lemke on behalf of US  
4 Bank as trustee for the water and sewer bonds. I don't have  
5 anything to really disagree with here, and we support the  
6 schedule that was laid out with maybe one exception, and that  
7 is -- you referenced it -- that the -- what we would ask for  
8 was a 30-day deadline to vote and to object to the plan so  
9 that the objection date and the voting date would run  
10 simultaneously for the bondholders. If the solicitation  
11 package goes out on April the 24th, as is indicated, then  
12 that would be a June 23rd deadline. We did actually ask for  
13 June --

14 THE COURT: You said 30, but you meant 60.

15 MR. LEMKE: Sixty. I'm sorry. Yes. Sixty. We did  
16 ask for June the 30th -- that's where I got the 30 -- June  
17 the 30th to be that deadline. That gives us another seven  
18 days. It's really 67 days. And then we felt like if you had  
19 June 30th, that would give adequate time for the balloting  
20 agent to do their tabulation, the ten days, and then if the  
21 confirmation hearing started on July the 14th or someday  
22 after that, there would be adequate time to get whatever  
23 additional pretrial issues needed to be addressed, but I did  
24 want to make sure that we were clear on what we were asking  
25 for there.

1 THE COURT: All right. Thank you, sir.

2 MR. LEMKE: Thank you.

3 THE COURT: Anyone else?

4 MR. HACKNEY: Good afternoon, your Honor. Stephen  
5 Hackney on behalf of Syncora. You've been very diligent  
6 about reading the pleadings, and I don't have anything to add  
7 to the one that we filed.

8 THE COURT: Okay. Thank you. Any other comments or  
9 objections before I recall the city? Ms. Lennox.

10 MS. LENNOX: Thank you, your Honor. Just a few  
11 points. With respect to Mr. Marriott's request that we --  
12 that your Honor set a date by which we file an amended plan  
13 and disclosure statement, I think Mr. Bennett referenced when  
14 we were here a week ago or ten days ago that we do intend to  
15 file probably at least one, if not more, iterations as we  
16 progress between now and the disclosure statement hearing, so  
17 we intend to do that. We do not intend to drop on the Court  
18 and all the other parties to the case, you know, one amended  
19 disclosure statement the night before the hearing and expect  
20 people to wade through that, so I don't know that a deadline  
21 is necessary. In fact, if we can reach agreements that we  
22 would want to reflect in that agreement, a deadline may be  
23 counterproductive, but I do want to assure the Court that we  
24 do intend to do that.

25 With respect to plan objections preceding some stage

1 of discovery, I do agree with the Court that we can file  
2 basic plan objections which give parties -- all the parties  
3 in the case an indication of where people are going and file  
4 supplemental objections as we did in the eligibility hearing.

5 With respect to -- I only have one particular  
6 comment to the pleading and the response that was filed by  
7 Mr. Marriott and his consortium of compatriots, and that is  
8 they suggest that we have an April 1st deadline for the city  
9 and only the city to designate fact and expert witnesses.  
10 That's actually before we have what might be the solicitation  
11 portion of the plan done. I think what would be more  
12 appropriate is if we move the city's time to do that to the  
13 same time the objectors propose to do that or the creditors  
14 propose to do that, which would just be two weeks after the  
15 disclosure statement hearing in early May, May 1st, May 2nd,  
16 so that's the only particular comment that I had.

17 And then with respect to what Ms. Neville said, I  
18 agree with the longer period. In fact, I would assume that  
19 the solicitation period that we set will be one solicitation  
20 period for everyone, and I do agree that the retirees need  
21 particular time. We are definitely working on customizing  
22 the ballots. We are working on the plain English, and I  
23 think Ms. Neville did a very good job of describing sort of  
24 where we are in the process, and we're working cooperatively  
25 to get that done.

1           THE COURT: I'm interested in your response to her  
2 concern about the classification issue and whether that's  
3 something that should be resolved sooner than later.

4           MS. LENNOX: I do not -- I don't have a problem  
5 resolving it sooner than later. I do think -- first of all,  
6 we would calculate separate amounts for pension and OPEB, so  
7 if it remains a combined class, it will be easy for them to  
8 tell, you know, which is which and then a combined amount.  
9 The Retiree Committee has raised the issue in their pleading.  
10 We do intend to engage with them between now and the  
11 disclosure statement hearing and hopefully work something  
12 out, but I don't think the city would object to that  
13 particular issue.

14          THE COURT: If I understood her correctly, their  
15 position is that in the plan these two different kinds of  
16 claims should be classified separately.

17          MS. LENNOX: We understand that. I can see an  
18 argument for that, and I can also see an argument for  
19 combining retiree claims in general in one class. They are  
20 all, after all, of the same priority, so that is a discussion  
21 that we can have with the Retiree Committee between now and  
22 the disclosure statement hearing.

23          THE COURT: So you would agree to build into the  
24 scheduling order some separate process to address this  
25 question sooner than later?

1 MS. LENNOX: We'd be -- certainly be amenable to  
2 that, your Honor, and that's all I have.

3 THE COURT: Okay. The door is fully open.

4 MS. LENNOX: Thank you.

5 THE COURT: Anyone else have any comments about the  
6 scheduling order?

7 MR. GOLDBERG: Your Honor, my comment isn't  
8 specifically on that, but it's sort of to what Ms. Neville  
9 addressed, and I don't want to be out of place because I'm  
10 not privy to a lot of the discussion, but I do represent an  
11 individual retiree, and we've had discussions with similar  
12 retirees. And one of the other concerns and the  
13 understanding is that we try to reach deals with the  
14 annuities that are also part of the plan. That was very  
15 confusing in the plan. There was a formula that we couldn't  
16 find, and I just wanted to make sure that issue is -- it's  
17 the third part of the retiree benefit is the pension benefit,  
18 the --

19 THE COURT: Okay.

20 MR. GOLDBERG: -- health benefits, but also the  
21 annuity, which there was a recapture. It was quite confusing  
22 in the plan as was outlaid and a big matter of concern to  
23 many retirees.

24 THE COURT: Well, I won't tolerate any confusion.

25 MR. GOLDBERG: No. I appreciate that.

1           THE COURT: I just -- I won't. Anyone else? Yes,  
2 sir.

3           MR. FRIMMER: Good afternoon, your Honor. Rick  
4 Frimmer for FMS. Ms. Lennox's last statement about this  
5 seriatim modification of the disclosure statement right up  
6 until the hearing has us all concerned that we ought to have  
7 some deadline date by which we know exactly what it is we're  
8 going to object to, and this --

9           THE COURT: You know, I wish the real world were  
10 that simple.

11          MR. FRIMMER: Even if it's two days beforehand. I  
12 mean --

13          THE COURT: But the truth is agreements with  
14 creditors come when they come. Do you want me to set a  
15 deadline for you all to come to an agreement with the city?  
16 Is that what you want me to do? I don't think so.

17          MR. FRIMMER: Well, no, but that -- because that can  
18 happen afterward also.

19          THE COURT: Every new agreement potentially requires  
20 a new disclosure statement; right?

21          MR. FRIMMER: Well, we're not talking about what we  
22 might agree to. We're talking about changes that might be  
23 made because they decide to make a change. That has nothing  
24 to do --

25          THE COURT: Changes what?

1 MR. FRIMMER: That they decide to make not having to  
2 do with a negotiation with a creditor, just change the plan.

3 THE COURT: Oh, I didn't quite hear that.

4 MR. FRIMMER: That's what I thought I heard.

5 THE COURT: Well, I'll ask.

6 MR. FRIMMER: That's what I thought I heard.

7 THE COURT: Okay. Ms. Lennox, the question that's  
8 raised is do you foresee any cause to amend the disclosure  
9 statement other than as a result of amendments to plans that  
10 result from agreements with parties along the way?

11 MS. LENNOX: Not in a material manner, your Honor.  
12 I mean certainly if people come to us and say, "I want you to  
13 put this information because we want more information in the  
14 disclosure statement," we're going to do that, and that's not  
15 going to --

16 THE COURT: Assuming it's pertinent and accurate.

17 MS. LENNOX: Assuming it's pertinent and it's --  
18 exactly, so there may be quite a bit of that. In fact, there  
19 may be quite a bit of that, your Honor, but --

20 THE COURT: Well, I encourage it.

21 MS. LENNOX: And we don't disagree, so I think there  
22 will be some of that. I think, as your Honor indicated, it's  
23 a little difficult to put a hard-and-fast timeline on that,  
24 but I have committed and I will commit that we are not going  
25 to leave major, you know, complete rewrites of the disclosure



1 statement until two days before the hearing. There will be  
2 interim filings.

3 THE COURT: All right. Anyone else? All right.  
4 We'll consider this matter closed. The Court will take it  
5 under advisement and issue a revised scheduling order. Let's  
6 turn our attention to the city's motion to establish  
7 procedures for solicitation and tabulation of votes.

8 MS. LENNOX: Thank you, your Honor. It's a bit of a  
9 long motion, and I'll try to address some of the commentary  
10 that was objected -- or was raised in some of the responses  
11 as I go forward, and I'm going -- I'm not going to repeat  
12 everything we did. I'm going to try to be very  
13 straightforward.

14 I do want to point out, just to reiterate what Ms.  
15 Neville and I reported to the Court, we will file and we  
16 intend to file a supplemental motion to approve what it is  
17 that we are going to do with respect to the retiree classes  
18 for this plain English insert and for voting purposes, so --

19 THE COURT: What's your timing on that motion?

20 MS. LENNOX: Well, we're hoping to get it out in the  
21 next couple of weeks, your Honor, and that will depend  
22 probably on how much detail we put in this plain language  
23 version of what we do. It may have to be at the disclosure  
24 statement hearing, you know, the actual final version updated  
25 because if there are some agreements or something that may

1 change the verbiage on that, we would want that updated, so  
2 there may be a secondary consideration of that, but we do  
3 want to get out in front of the Court sort of what we're  
4 thinking about sooner rather than later.

5 THE COURT: Well, all right. I would encourage the  
6 two of you, to the extent you might find it helpful in  
7 resolving any issues more efficiently, to either get me on  
8 the phone or come and see me so that I can give you my  
9 guidance on how to deal with your specific issues.

10 MS. LENNOX: Thank you, your Honor. That's very  
11 helpful. We appreciate the offer. Okay. As to -- we asked  
12 for several things.

13 THE COURT: By that I mean your disclosure issues.  
14 Your substantive negotiations are being handled --

15 MS. LENNOX: Yes, your Honor. We understand.

16 THE COURT: -- at a higher pay grade.

17 MS. LENNOX: We understand. Okay. So things that  
18 we asked for, the relief that we asked for in the  
19 solicitation motion, we do ask to set a record date for  
20 voting, and just for sort of obvious reasons we set the  
21 disclosure statement hearing date as a reasonable record date  
22 for voting, so that means whoever holds the claims on that  
23 date gets to vote. We also asked for approval of what we'd  
24 include in solicitation packages for people who do get to  
25 vote, and I think I mentioned to the Court earlier what that

1 would be. That would be a confirmation hearing notice, which  
2 we attached as Exhibit 6-A to the motion; a CD-ROM that  
3 contains the plan, the disclosure statement and any exhibits  
4 we filed to that date; a ballot; and a return envelope for a  
5 ballot; and probably a cover letter explaining what's in  
6 there.

7 THE COURT: Do you feel you need to serve a separate  
8 confirmation hearing notice if we serve on everyone what will  
9 be a second amended procedures order?

10 MS. LENNOX: There are some things in the notice  
11 that I think would be helpful for people to have, and I'm  
12 just referring to the notice here. One is just a  
13 notification -- a formal notification of the approval of the  
14 disclosure statement, that it's been approved, where they can  
15 get it.

16 THE COURT: Okay.

17 MS. LENNOX: We can certainly -- I mean the  
18 confirmation hearings will be in your order, your Honor. If  
19 your Honor put the voting record date in the order, that  
20 would be the other thing that we would notify people of. We  
21 also talked to people about if there are transferred claims,  
22 you know, who gets to vote a transferred claim. It does talk  
23 about a voting deadline. It does reference tabulation rules,  
24 so it's a little more --

25 THE COURT: Okay.

1 MS. LENNOX: -- involved than just a scheduling  
2 order, your Honor.

3 THE COURT: Okay.

4 MS. LENNOX: So that would be what we propose to put  
5 in the solicitation package. For those we do have classes  
6 that are nonvoting either because they're unimpaired and  
7 deemed to accept or there's one class that will receive  
8 nothing and is deemed to reject the plan. We would propose  
9 to them -- send them a notice called a notice of nonvoting  
10 status, and, again, it has similar information about where  
11 they can get the plan and disclosure statement on line or the  
12 fact that we will mail it to them if they want free of  
13 charge, the fact that they're not voting, but all the other  
14 relevant deadlines, you know, confirmation hearing date and  
15 things like that.

16 So we also talk about the solicitation process, and  
17 I think we've gone through that with your Honor. You know  
18 the proposed dates, the requested dates, and so I won't  
19 belabor that. I would just reiterate that we do assume that  
20 we need ten days to finalize the disclosure statement and the  
21 plan and the documents and get them all in the mail, so we  
22 would -- we're requesting that solicitation start -- be  
23 deemed to start on April 24th, which is ten days after the  
24 disclosure statement hearing.

25 Now we get into stuff that's been a little more

1 controversial in the responses. The first is a procedure for  
2 resolving disputed voting rights, and as evidenced by the  
3 papers that have been filed by the DWSB water and sewer bond  
4 trustee and the ad hoc committee on the one hand and the  
5 insurers on the other hand, we definitely have a dispute, and  
6 we have a much more global dispute than perhaps people might  
7 have anticipated. I do think it is the insurers' view that  
8 they get to vote all the claims in a particular class, and it  
9 is the trustee and the beneficial holders' view that they do  
10 not. So the ad hoc procedures that we had proposed in the  
11 motion are probably not very workable, so having conferred  
12 with counsel for all these parties prior to this hearing --  
13 and, frankly, before I get there, your Honor, from the  
14 debtor's -- or from the city's perspective, we need to -- two  
15 people can't vote the same claim. We need to know who's got  
16 the claim, who's going to vote it, and who -- and in what  
17 amount and who do we count, and we need it well --

18 THE COURT: And who to pay.

19 MS. LENNOX: And who to pay and well before the  
20 tabulation is done. We ideally think it should be done by  
21 the time your Honor -- by the time we solicit would be ideal  
22 to have it done. The parties have requested that between now  
23 and next Tuesday the insurer parties and the holder parties  
24 try to work out among themselves with the city involved a  
25 schedule for resolving their disputes. Hopefully they can

1     come up with a -- we can come up with a scheduling procedure  
2     by next Tuesday. If not, perhaps we could bind this over and  
3     appear before your Honor to talk about a schedule to do  
4     exactly that next week, but we'll try to do that  
5     consensually. It would be the debtor's -- or the city --

6             THE COURT: Oh, I would want -- I would want to have  
7     a hearing on it regardless.

8             MS. LENNOX: Okay. Very good. That is to set the  
9     schedule and set a procedure. Then the procedure has to play  
10    itself out. The city ideally would like to know who's voting  
11    what so we know who to mail what to by the time we start  
12    solicitation. The parties in interest have asked for a  
13    longer period of time to try to work out their differences  
14    because if they can't be worked out, they're going to be  
15    litigated in front of this Court, and we are going to need to  
16    know well before we tabulate the ballots who's got what vote  
17    definitively. So that procedure they have proposed -- and  
18    they can certainly speak to this; I don't mean to, you know,  
19    tread on their water here -- but would take some time past  
20    disclosure statement hearing and before the voting deadline  
21    is done, preferably ten -- at least ten days before the  
22    voting deadline is up, so that is how we're proposing to deal  
23    with all of those sets of issues. I think they're very  
24    important issues, and so if your Honor is amenable to that,  
25    obviously we would sort of bind that over until we can work

1 that out. Let's see what else I had on that. I think that's  
2 all I had on that issue, your Honor. If I missed an issue  
3 that an objector raised, they will certainly bring that to  
4 your Honor's attention. I can respond.

5 The other thing that we asked for is the approval of  
6 the form of ballots. US Bank, as the trustee, basically  
7 raised an objection that said, well, it's kind of premature  
8 to do that, don't you think, because the plan might change.

9 THE COURT: Who did?

10 MS. LENNOX: US Bank, who's the indenture trustee  
11 for the water and sewer bonds. And, you know, looking at the  
12 ballots, they're pretty plain vanilla. It says you have a  
13 claim in this class, and you vote "yes" or "no," and if you  
14 get to make an election, you make an election. And so I  
15 don't think that's going to change very much, but there may  
16 be changes in, you know, different classifications or things  
17 like that, so while I don't necessarily agree that this is  
18 premature to approve the forms of ballots that we've  
19 attached, if your Honor wants to defer that until the  
20 disclosure statement deadline, we could. I don't think these  
21 forms are going to change very much.

22 THE COURT: I think that's a good idea. Let's do  
23 that.

24 MS. LENNOX: Okay. Very good. So we will modify  
25 that. We also agree with US Bank's suggestion that we only

1 need individual ballots for the SRF ballots because they're  
2 held by the state, so we don't have to go through the DTC  
3 process, so we can make that change.

4 THE COURT: Okay.

5 MS. LENNOX: We also want to clarify because US Bank  
6 made this request in paragraph 14 of its objection that,  
7 indeed, the plan does contemplate subclasses. There are 66  
8 series of water and sewer bonds, and so we classified them  
9 according to lien priority, water first lien, sewer first  
10 lien, but we also said that these classes include subclasses  
11 that involve each of the different series. We thought that  
12 might be an easier and more efficient way of doing it than  
13 having 66 separate classes, but they are separate classes.  
14 Each series is a subclass, and you can vote -- they can vote  
15 claims in the different subclasses differently, but they have  
16 to vote all the claims within a subclass the same way, which  
17 is generally the procedure that we've set forth for voting  
18 claims within a class.

19 The ad hoc bondholders asked to submit ballots  
20 directly to KCC. We have checked with -- rather than going  
21 through the DTC system, I think Mr. Kannel had said to the  
22 Court there's a way to do it. There is a way to do it, but  
23 what the city has to be sure of is that the bonds that are  
24 voted -- what the city has to be sure of is that the bonds  
25 that are voted by a beneficial holder are actually held by



1     them as of the record date. And as I indicated before, the  
2     only way to know that is for DTC to verify that, so there's a  
3     procedure that I have discussed with Mr. Kannel that if it's  
4     followed we can permit this sort of direct transmittal to KCC  
5     because we would have the verification that the city needed.  
6     Mr. Kannel is going to consider that and get back to us, so  
7     perhaps we can take that up next week as well.

8             THE COURT: Okay.

9             MS. LENNOX: And I think that has to do with ballots  
10     and voting and the issues raised there. Again, I think if I  
11     missed one, somebody will correct me, and I will respond.

12             Then the final things that we asked for by this  
13     motion, your Honor, are the approval to publish a  
14     confirmation hearing notice under Bankruptcy Rule 2002(1) and  
15     then finally some tabulation rules. First, as part of that,  
16     we've asked for a deadline by which if anybody wants to file  
17     a motion to temporarily allow claims for voting under  
18     Bankruptcy Rule 3018, that they file that motion by May 1st  
19     or ten days after we file an objection to their claim. As  
20     part of the tabulation rules, the insurers asked us to make  
21     explicit in our ballots how DTC will set up a method to track  
22     the elections because DTC tracks the elections made on the  
23     ballots. We know how they're going to do that. We're happy  
24     to add language to the ballots to that effect. So other  
25     than -- and I believe --

1 THE COURT: Add language where?

2 MS. LENNOX: In the ballots, your Honor, so that  
3 people voting know how their election is going to be tracked.  
4 We could also put it in the tabulation rolls because they'll  
5 get copies of that as well.

6 THE COURT: Okay. So I think that's the sum and  
7 substance of what we've asked for procedurally. I'm happy to  
8 answer any questions your Honor may have, and if not I'll  
9 respond to any objections I might have missed. Thank you.

10 THE COURT: Thank you.

11 MR. KANNEL: Your Honor, William Kannel for the ad  
12 hoc sewer and water bondholder committee. Let me -- I'm  
13 going to address a subset of the issues that are at play and  
14 ones where we've hopefully agreed to a path toward  
15 resolution, a very short path toward resolution by next  
16 Tuesday, so let me tell you what the issues are, what they  
17 aren't, who we've had a chance to talk to to resolve this,  
18 and what the plan is.

19 At the intersection of the indenture trustee and the  
20 water and sewer objections, the insurer's omnibus response,  
21 if you will, and our little response on behalf of the ad hoc  
22 water and sewer bondholders, there are really three issues at  
23 play. One is who actually gets to vote those claims, the  
24 beneficial holders or the insurers, the issue that Ms. Lennox  
25 just referred to about the elections and whether there is a

1 lockup between making an election and in a ballot and  
2 distribution, and then our somewhat parochial issue about  
3 being able to vote directly and not having to go back up  
4 through the nominee chain, if you will. What we've agreed to  
5 in concept -- and we still have to work up to details, and  
6 we've had a chance to speak to counsel to Assured, counsel to  
7 NPFG, counsel to FGIC, counsel to Berkshire, counsel to  
8 Ambac. I do not think, just because of where people were  
9 positioned in the hall, we've had a chance to close the loop  
10 with Syncora would be by next Tuesday to agree to a mechanism  
11 where what Ms. Lennox proposed, which was basically a  
12 schedule to resolve the who gets to vote issue by  
13 solicitation to instead drop that into a schedule between  
14 solicitation, and I think we agreed with Ms. Lennox ten days  
15 before tabulation. Now, we'll have to see the order you're  
16 developing sometime in the next day or two to sort of figure  
17 that out and figure out what that window is, but that's the  
18 game plan. There are other issues that we haven't resolved  
19 that, for example, the trustee is going to deal with in his  
20 objection.

21 THE COURT: Well, but --

22 MR. KANNEL: Sure.

23 THE COURT: -- how do you deal with Ms. Lennox's  
24 assertion that it's important to the city in terms of  
25 solicitation to get the issue of who gets to vote resolved

1 before then?

2 MR. KANNEL: Right. I think at this point they are  
3 going to have to solicit the individual beneficial holders.  
4 They've already sent out -- I forgot what the number you gave  
5 is for the disclosure statement. Soliciting the insurers in  
6 addition I think is eight different -- eight additional  
7 ballots. I don't think that's much more material cost, your  
8 Honor.

9 THE COURT: Um-hmm.

10 MR. KANNEL: And in any event, they're going to have  
11 to --

12 THE COURT: So the point is that if that decision  
13 were made later and required that additional solicitation, we  
14 could deal with that.

15 MR. KANNEL: No. I think the point is that  
16 solicitation of the individual bondholders, if the schedule  
17 sticks as it is more or less now, is going to take place by  
18 April 24th anyway, but we're additionally going to be --  
19 contrary to what's in Ms. Lennox's original motion, be  
20 soliciting the insurers, and then during that period we'll  
21 get to --

22 THE COURT: If that becomes --

23 MR. KANNEL: -- decide who counts.

24 THE COURT: If that becomes necessary.

25 MR. KANNEL: If that becomes necessary, exactly,

1 right. Thank you, your Honor.

2 MR. KOHN: I believe I may have missed something,  
3 your Honor. Your Honor, Samuel Kohn on behalf of Assured  
4 Guaranty Municipal Corp. Yes, Ms. Lennox and Ms. -- I'm  
5 speaking for all the insurers. I don't think any other  
6 insurers will get up except for counsel for Syncora. I'm not  
7 sure. But one thing just as a clarification, there were  
8 other parts of our little objection just dealing with some of  
9 the paragraphs in tabulation, for instance, a contingent  
10 claim being voted, one dollar or things like that being  
11 classified, so the process -- the agreement that we had with  
12 Ms. Lennox is that the amount of the ballots or the amount of  
13 the voting will also be part of that process that'll take  
14 part, and our little objections will -- about language will  
15 hopefully also be resolved by Tuesday.

16 THE COURT: Okay.

17 MR. KOHN: Thank you, your Honor.

18 MR. LEMKE: If your Honor please, David Lemke on  
19 behalf of US Bank as trustee for the water and sewer  
20 bondholders. So it looks like most of the objections that we  
21 raised have been addressed one way or the other, either  
22 they're going to be put off on the voting dispute or  
23 whatever. There are at least two that overlap. Ms. Lennox  
24 did clarify that there are multiple subclasses based on the  
25 number of series, and that's what we thought was intended by

1 the plan. The motion seemed to blur that, but we'll just  
2 work with them on making sure it's clear when that goes out.

3 THE COURT: Okay.

4 MR. LEMKE: But the more substantive issue is that  
5 Ms. Lennox has also clarified that the debtor intends for all  
6 the votes -- if you are a bondholder and you own multiple  
7 bonds within a class, you have to vote all those the same  
8 way, and we would take issue with that because there are  
9 multiple CUSIPs within each class, so within each series  
10 there are -- bonds were issued within a series, and some of  
11 those bonds have different maturity dates, interest rates,  
12 call protections. Some might be insured. Some might not be.  
13 Our view is -- and I think the ad hoc committee agrees --  
14 that a holder should be required to vote -- should be allowed  
15 to vote whatever bonds it holds in CUSIPs diversely, so it  
16 might have -- it might have bonds in multiple CUSIPs in the  
17 same class. It ought to be able to vote those CUSIPs  
18 differently if it chooses to because they're going to be  
19 treated differently. The plan actually proposes -- at least  
20 if it's a cramdown interest rate, the plan proposes a list of  
21 reset interest rates for every CUSIP that has been --

22 THE COURT: Well, but doesn't the law require that  
23 each claim in a given class be treated similarly?

24 MR. LEMKE: Then maybe the CUSIPs need to be the  
25 separate classes because they are -- they are not being

1 treated similarly, though. The point is that the way the  
2 debtor has proposed it, a holder in a class might have a bond  
3 that gets one interest rate if it's crammed down and might  
4 have a bond in that same class but it's a different CUSIP  
5 that will get a different interest rate because of the way  
6 the debtor is proposing, so we need to resolve that issue.  
7 We thought the -- you know, if the classifications need to be  
8 changed, then maybe that's an issue that needs to get fixed  
9 when we take up the retirees, but certainly we don't want the  
10 ballots to go out or the disclosure statement to go out until  
11 that's resolved.

12 THE COURT: This has to be resolved before that's  
13 done.

14 MR. LEMKE: It does, yes. All right. That's it.

15 THE COURT: That's it?

16 MR. LEMKE: Thank you, your Honor.

17 THE COURT: Okay.

18 MS. ENGLISH: Good afternoon, your Honor. Caroline  
19 English from Arent Fox on behalf of Ambac Assurance  
20 Corporation. Ms. Lennox's comments were and the discussion  
21 so far has been really focused on the water and sewer bonds.  
22 Ambac insures general obligation bonds.

23 THE COURT: Um-hmm.

24 MS. ENGLISH: I think with respect to the general  
25 obligation bonds, respectfully, there really is no dispute as

1 to the voting rights on those bonds. Ambac's bond documents  
2 are very clear on their face that Ambac has the voting  
3 rights. It's in our proof of claim. The city has those  
4 documents. However, to the extent the city has imposed this  
5 default rule that they believe the beneficial holders may  
6 have the right to vote, I think our discussions earlier today  
7 outside in the hallway were that the general obligation bond  
8 insurers would also participate in these discussions over the  
9 next five days with the city and the water and sewer bond  
10 insurers and holders to work out a consensual arrangement so  
11 that it -- you know, it covers all bonds, if you will, and  
12 we're happy to do that.

13 THE COURT: Of course, if we allow everyone to vote  
14 and no matter how we tally it the class rejects the plan, it  
15 doesn't matter who had the right to vote; right?

16 MS. ENGLISH: If all the insurers and all holders  
17 reject a plan, I suppose so. Thank you, your Honor.

18 MR. MARRIOTT: Good afternoon again, your Honor.  
19 Vince Marriott, EEPK, the holder. We didn't file an  
20 objection to the procedures motion; however, I did think it  
21 would be useful to rise in response to some of the objections  
22 that have been filed. Just to put on the record, first of  
23 all, that although the insurers believe they have the right  
24 to vote, at least this holder doesn't agree with that  
25 position. On the other hand, we think that what I'll



1 describe as the proposed two ballot solution is an elegant  
2 way to push the problem down the road to where it may not  
3 matter because, as you point out, if insurers and holders  
4 vote the same way, then who had the right to vote doesn't  
5 really matter. So although we have a different substantive  
6 view of the world than the insurers, we think that the two  
7 ballot solution is sort of an elegant way around this issue  
8 at this point.

9 MR. FRIMMER: Your Honor, Rick Frimmer from Schiff  
10 Hardin for FMS. First, I wanted to just join in what Mr.  
11 Marriott just said about our agreement with the notion of --  
12 you know, of the question of who would get the right to vote,  
13 but --

14 THE COURT: Okay.

15 MR. FRIMMER: -- we agree with the solution.  
16 Secondly, just to say that because of some of the discussion  
17 surrounding the insurance question, I would point out a  
18 couple things which might be -- one which is, I think,  
19 generic to all of the -- I'm going to call them bonds, which  
20 is I was confused particularly by the tabulation procedures  
21 in paragraph 39 as to whether because the bar date order and  
22 motion specifically allowed the indenture trustees to file  
23 the proof of claims on behalf of all the beneficial holders,  
24 I assume the city doesn't intend that the beneficial holders  
25 need to comply with the 3018 motion procedure for tabulation

1 because in our case, for example, Wilmington would have filed  
2 a proof of claim for all the COPs claims, so no actual  
3 beneficial holder filed a proof of claim for those. I'm not  
4 really sure -- I don't think you intended it, but one could  
5 read the 3018 procedures to require beneficial holders to  
6 file something, so that should be clarified.

7           Secondly, the procedures -- the solicitation motion  
8 provides for the Class 9 claims that if a settlement box is  
9 checked, it becomes irrevocable. I don't think any other  
10 ballot is irrevocable until the end of the voting deadline  
11 and especially if we're going to have to do a vote, I think  
12 that ought to be eliminated.

13           The third thing just to note that although the COPs  
14 claims are for definition purposes described as debt  
15 instruments in the solicitation motion, we, of course, don't  
16 agree with that, but we agree with the procedures.

17           MS. NEVILLE: Your Honor, we're not a part of this  
18 motion -- Carole Neville on behalf of the Retiree  
19 Committee -- but we haven't actually worked out with  
20 Ms. Lennox that we're probably going to use a different  
21 solicitation package, including a different confirmation  
22 notice for the retirees, because it's quite complicated. And  
23 I was thinking that it might be useful since it was very  
24 confusing on the bar date notice that there just be a little  
25 legend that says on the general solicitation and confirmation

1 notice this doesn't apply to retirees.

2 THE COURT: Um-hmm. Okay.

3 MS. CECCOTTI: Your Honor, Babette Ceccotti. Just a  
4 quick follow-up to Ms. Neville's comments, which I agree  
5 with, by the way, but in terms of the confirmation notice, I  
6 believe I heard Ms. Lennox saying that the actual penning of  
7 the ballots and the approval is going to await disclosure  
8 statement. It seems to me to make sense to have the general  
9 confirmation notice deferred as well, but I didn't hear that  
10 mentioned and just --

11 THE COURT: You say confirmation notice. You mean  
12 confirmation hearing notice?

13 MS. CECCOTTI: Yes, yes, to defer that as well.

14 THE COURT: Yeah.

15 MS. CECCOTTI: That way we have everything kind of  
16 marching along without having to worry about whether the  
17 wording in one and the other on key points that might apply  
18 across the board are not worded differently.

19 THE COURT: Okay. Based on what I've heard so far,  
20 I think we will convene a hearing next Tuesday at ten o'clock  
21 to consider a stipulation to the extent you've been able to  
22 reach one on how to resolve the who gets to vote issue --

23 MS. LENNOX: Um-hmm.

24 THE COURT: -- although I do want to hear from you  
25 on why not solicit everyone and defer the issue if it's only

1 eight additional ballots.

2 MS. LENNOX: I think, your Honor, that's exactly  
3 what people have proposed is that ballots would go out to  
4 everyone, including the insurers.

5 THE COURT: All right. So if --

6 MS. LENNOX: The issue we have -- and it's an  
7 issue -- I forget who raised it. Perhaps it was Mr. Dubrow,  
8 but perhaps I got that wrong. There's one issue relating to  
9 the amount of voting that if we're going to send out ballots  
10 to the insurers at the same time, it's going to be sort of a  
11 bigger issue than perhaps -- it may be a bigger issue because  
12 I think what the insurers would like is that the ballots go  
13 out -- and we can talk about this more next week, but the  
14 ballots go out --

15 THE COURT: Yeah.

16 MS. LENNOX: -- in the full amount for principal and  
17 interest that they insure, but they may not have paid all  
18 that, and part of that is tied up in whether they're a holder  
19 and whether they get to vote the whole claim or whether they  
20 don't, so we're going to have to have some mechanism as part  
21 of these procedures to figure out if they don't get the full  
22 P&I amount of the vote, which I think would be some people's  
23 position, then what is their lesser amount that they get to  
24 vote, and is it subordinated under 509(c), so those issues  
25 are going to have to be worked out, your Honor, as part of

1     these procedures, so --

2             THE COURT: Well, but I'm wondering why even that  
3     can't be deferred in case --

4             MS. LENNOX: I think, your Honor --

5             THE COURT: -- and to deal with it only if it  
6     actually become necessary in terms of determining acceptance  
7     under the Bankruptcy Code?

8             MS. LENNOX: Well, one of the things that the  
9     debtor -- or one of the things that the city doesn't want to  
10    have happen because we are -- as you've heard today, at least  
11    for just water and sewer, we have 66 subclasses and we have  
12    337 or 377 CUSIPs, which somebody just mentioned making into  
13    their own separate subclasses, and I want to talk about that  
14    for a minute. When you're dealing with the kind of voting  
15    that is this complicated and this many parties at this great  
16    expense, leaving everything to the end of the day is kind of  
17    a recipe for disaster. That's a bit of a free-for-all. The  
18    more that we can have settled and certain about how things  
19    are going to work up front, I'm not saying problems won't  
20    arise, but it's less likely that problems will arise, and  
21    when they do, they'll be manageable, so the city's original  
22    position was -- and we put this in our motion -- we ought to  
23    know who's going to vote before we solicit so it avoids  
24    problems down the road, it's very clear, everybody knows.  
25    Because the parties are willing to try to work out a

1 resolution process for this, we were willing to compromise on  
2 that deadline, but what I don't want to have happen is to  
3 sort of not resolve this at all and then have before -- when  
4 the ballots are trying to be tabulated, then --

5 THE COURT: Well, I want to be very blunt with  
6 you --

7 MS. LENNOX: Okay.

8 THE COURT: -- as if I'm, you know, not normally.  
9 Is there any reasonable likelihood that any of these bond  
10 classes will vote in favor of this plan or that any -- or  
11 that any of these insurers will?

12 MS. LENNOX: Well, there's the rub, your Honor,  
13 absolutely. We think there's a great possibility that  
14 certain classes, particularly of the secured bonds, will vote  
15 in favor of this plan, but maybe the insurers for other  
16 reasons won't, and that's the kind of problem we don't want  
17 to be arguing about seven days before the confirmation  
18 hearing. We want to know what the rules are going to be well  
19 before that because I do think that's a possibility, and we  
20 are worried about it.

21 THE COURT: Okay.

22 MS. LENNOX: So I would suggest -- and I suppose we  
23 can take this up next week, but I would suppose -- would  
24 suggest that it would be highly impractical and totally  
25 unnecessary to have a separate class for voting purposes for

1 each separate CUSIP in one series of bonds.

2 THE COURT: Well, I would agree with that, but  
3 doesn't the law say that every claim in a given class has to  
4 be treated similarly?

5 MS. LENNOX: And they are being treated similarly.  
6 The different --

7 THE COURT: Oh, they're not getting different  
8 interest rates?

9 MS. LENNOX: They are, but what we're saying is you  
10 get a market interest rate, and what that chart is intended  
11 to say is depending on when your bonds are due and what --  
12 you know, what collateral they have, whether it's first  
13 priority collateral, second priority collateral, this is what  
14 the market says your interest rate should be, and it was  
15 done -- and to be full disclosure, people can challenge it if  
16 they want, but the treatment of the class is they get market  
17 rate. They get market rate if they choose --

18 THE COURT: But the market rate is different  
19 depending on when the bond is due?

20 MS. LENNOX: Correct, and the collateral position  
21 because we have --

22 THE COURT: And that goes by CUSIP?

23 MS. LENNOX: And that goes by CUSIP, and one series  
24 of bonds can have different CUSIPs, so I would suggest --

25 THE COURT: Because they have different maturity

1     dates?

2                 MS. LENNOX:   Correct.   So hopefully we can work that  
3     out consensually, but if not, if there's still an objection  
4     to it, your Honor can -- we can discuss that next week.   I  
5     think that's all.   With respect to the question of whether  
6     beneficial holders have to file 3018's, I mean they certainly  
7     can if they want.   They're not required to.   And in the plan  
8     we already set forth amounts for bond claims of what we think  
9     we're going to allow them in, so normally you do a 3018 if  
10    there's a contingent claim or an objection to a claim, and  
11    that doesn't seem to be the case here.

12                And I do want to clarify one thing that Ms. Neville  
13    said.   She said that this motion doesn't apply to the  
14    retirees.   In some senses it does.   I mean if there's a  
15    voting record date or dates that your Honor sets, I mean  
16    those are going to apply to everybody, but I agree that, you  
17    know, specific solicitation procedures we're going to work  
18    out with them, so I just want to be clear about that, your  
19    Honor.

20                THE COURT:   Let me ask you this question about the  
21    COPs --

22                MS. LENNOX:   Yes.

23                THE COURT:   -- because the city has filed an  
24    adversary proceeding --

25                MS. LENNOX:   Yes, sir.



1           THE COURT: -- which in some sort of conceptual  
2 sense is an objection to any claim that they might file.

3           MS. LENNOX: Um-hmm.

4           THE COURT: Will there be a process -- do you  
5 foresee a process to estimate that claim as part of the plan  
6 confirmation process because it's unlikely the litigation  
7 would be resolved before then?

8           MS. LENNOX: Right. That is a disputed claim right  
9 now. I think we have procedures in the tabulation rules for  
10 disputed claims. If they want to set up a 3018 procedure,  
11 we're happy to talk about that with them, and perhaps we can  
12 reach out and do that proactively, your Honor.

13          THE COURT: I would strongly recommend that in this  
14 one-week period that you have allowed yourselves here.

15          MS. LENNOX: Thank you, your Honor.

16          THE COURT: Okay. So we'll reconvene next Tuesday  
17 at two o'clock. I actually want to adjourn the hearing on --

18          MS. LENNOX: Tuesday at ten, your Honor?

19          THE COURT: Tuesday at ten. What did I say?

20          MS. LENNOX: Two.

21          THE COURT: No, not two, ten. Adjourn the hearing  
22 on the solicitation and tabulation motion until then to see  
23 what you've resolved here in the meantime.

24          MS. LENNOX: Okay.

25          THE COURT: And I'll make the same offer in

1 connection with either one of those matters. If you want to  
2 get me on the phone to either sound me out on something or to  
3 help you to resolve something, I'm very willing to do that.

4 MS. LENNOX: Thank you, your Honor. We appreciate  
5 the offer.

6 THE COURT: All right. Then let's turn our  
7 attention finally to the status conference on the city's  
8 motion to approve the swaps compromise.

9 MR. HERTZBERG: Good afternoon, your Honor. Robert  
10 Hertzberg on behalf of the City of Detroit. Your Honor,  
11 we've asked for an order shortening time to deal with the  
12 motion on the compromise that we've made with the banks. I'd  
13 first like to indicate to the Court that during this period  
14 that's provided for on page 2 of the term sheet the city is  
15 continuing to make the payments through the collateral  
16 account as previously done in that the money is being placed  
17 in segregated accounts by the bank subject to further order  
18 of the Court as provided on page 2 of the term sheet. We've  
19 asked as part of the process to have the Court shorten notice  
20 and set a hearing for March 20th to try and move the process  
21 along in regard to the settlement. Our thought is is that a  
22 lot of the testimony that was given at the prior hearing in  
23 regard to the swap settlement that the Court previously  
24 denied is good testimony in regard to background for this  
25 settlement, and we believe that the Court can take judicial

1 notice of that under Federal Rule of Evidence 2001 and also  
2 that it's available to be used under Federal Rule of Evidence  
3 807, so we're -- what I would suggest to the Court is that we  
4 put in a procedure in order to designate portions of that  
5 prior testimony that was held before this Court for witnesses  
6 and then a period of time, and I can give the Court some  
7 suggested times, for counter-designation by anyone who  
8 happens to file an objection. We only --

9 THE COURT: That sounds unnecessarily complex to me.

10 MR. HERTZBERG: I'm open to suggestions from the  
11 Court on it.

12 THE COURT: Why don't we just say that all the  
13 evidence that was submitted in connection with the prior  
14 hearings on your prior motions is evidence on this one?

15 MR. HERTZBERG: That's satisfactory with us,  
16 including the exhibits, your Honor. We will only be bringing  
17 probably one live witness on a very short basis. We intend  
18 on calling Kevyn Orr, and his direct examination I anticipate  
19 taking anywhere from 30 to 45 minutes maximum. We're looking  
20 at whether we need an additional witness of Mr. Malhotra, who  
21 has appeared before this Court several times and given  
22 testimony. I don't think we need it, but we need another day  
23 or two to go through his prior testimony and make sure that  
24 we have what we need to build a proper record.

25 THE COURT: So you'll make that decision by Friday?

1 MR. HERTZBERG: Yes, your Honor, absolutely. So  
2 that takes care of the -- dealing with the prior testimony  
3 and exhibits. What I suggest is --

4 THE COURT: Well, I want to -- I want to hear from  
5 other parties before making a final decision on the evidence  
6 issue.

7 MR. HERTZBERG: Understood. What we propose to the  
8 Court is is that any objections to the proposed settlement be  
9 filed by five o'clock on Friday, March 14th, and that the  
10 city be given until March 18th to file its reply. And as I  
11 indicated to the Court, that we're requesting that the  
12 hearing take place on March 20th, and that's dependent  
13 upon -- when I say March 20th, on the length of the hearing.  
14 We don't believe that this hearing should take more than five  
15 to six hours maximum, and let me tell you how I see it taking  
16 place and give the Court an idea of how I see it unfolding on  
17 that day. I believe that there's only -- or that it would  
18 only be necessary for the city, at least, to give a ten- to  
19 fifteen-minute at most opening statement, and I'd ask that  
20 the Court limit any objectors to the same period of time and  
21 if there's several of them, have them divide it up and have  
22 it done within 30 minutes. We would then put on Mr. Orr, who  
23 I indicated would only take 30 to 45 minutes on direct, and  
24 I'd ask that the Court limit any cross-examination of Mr. Orr  
25 to two hours. And then I believe it's more than sufficient

1 to allow 45 minutes to an hour on both sides for closing  
2 argument. That way, based upon the record that has taken  
3 place in the previous hearing and the new information that  
4 has come out during this hearing, five to six hours is more  
5 than sufficient time to put in the evidence and to hear the  
6 parties' objections if there are any.

7 THE COURT: Thank you.

8 MR. HERTZBERG: Thank you.

9 THE COURT: Would anyone like to be heard regarding  
10 this? Sir.

11 MR. HACKNEY: Good afternoon, your Honor. Stephen  
12 Hackney on behalf of Syncora. Obviously, I lived the first  
13 forbearance agreement hearing, and I sort of resolved today  
14 that I would not attempt to argue the merits of the substance  
15 of our objections. I don't think that's prudent, but I  
16 wanted to come and share a view with you in terms of process.  
17 This motion was just filed on Monday night, so it's a  
18 relatively recently filed motion, and a couple points, I  
19 think. The first is that there is no emergency. If you look  
20 at the proposed deal that even -- even if it works as the  
21 city says that it does, the deal provides that the city will  
22 just continue doing what it has been doing for months since  
23 July of last year with respect to the monthly account and  
24 through the end of the bankruptcy, so there is not even the  
25 sort of notional argument for speed that we heard the first

1 time around in terms of how we handle this. I think that we  
2 should bear that in mind when we're considering allowing  
3 parties to assess this new deal to determine whether they can  
4 resolve their objections without the need for a hearing,  
5 which is always in everyone's interest, and I was merely  
6 coming to propose that we set a date a week from now at which  
7 we would come back and revert to you on whether we've been  
8 able to do that and, if not, what our proposed schedule was.

9 I do want to preview something with you, though,  
10 with respect to Mr. Hertzberg's comments, which is the deal  
11 has changed dramatically in terms of what claims are being  
12 settled, so I think there will be real relevance questions  
13 when it comes to the prior testimony compared to this deal.  
14 Remember that under the prior agreement -- and it was  
15 somewhat complicated because it was notionally only an  
16 optional termination agreement, so you have to kind of couple  
17 it with the performance under the agreement that was  
18 anticipated to come with the order. You saw an actual  
19 termination of the swap, a termination of the relations  
20 between swap counterparties and the service corps, an impact  
21 on the -- an impact that was somewhat murky on the  
22 relationship between the service corps and the city, and then  
23 termination of the collateral agreement by the terms of the  
24 collateral agreement. That was the package of claims that  
25 were being settled as part of the consideration. This deal

1 is very different. Number one, this deal proposes to leave  
2 the swap in place. Number two, the city has now, I believe,  
3 taken the view in the interim since the last forbearance  
4 agreement that now the service corporations are sham entities  
5 with whom there can be no deal, so despite the fact that they  
6 included them the first time, they are now not included here,  
7 and so the new term sheet, which is just the term sheet,  
8 leaves the swap in place, and it also leaves undisturbed the  
9 relationship between the service corporations and the city.  
10 It still purports to eliminate --

11 THE COURT: Why is this anything you care about?

12 MR. HACKNEY: This is highly relevant to Syncora as  
13 the insurer of the swap because we are not released from our  
14 insurance, and yet the obligation becomes unsecured if it  
15 works in the fashion they say. I actually don't think that  
16 it works, for what it's worth, but I'm not going to argue the  
17 merits to you. I do -- what I think --

18 THE COURT: All right. So you're not going to  
19 settle. Let's just get to it.

20 MR. HACKNEY: I'm not sure. We've been -- we've had  
21 conversations. I mean I'm not sure.

22 THE COURT: Seriously, come on.

23 MR. HACKNEY: No. I would -- I think I've --

24 THE COURT: Let's just get to it.

25 MR. HACKNEY: I've been, I would say, equally candid

1 with you from time to time when I've had the pleasure of --

2 THE COURT: What do you mean, from time to time?

3 MR. HACKNEY: Well, only not when --

4 THE COURT: You don't mean candid. You meant blunt,  
5 yes. Okay.

6 MR. HACKNEY: I try to avoid --

7 THE COURT: Yes.

8 MR. HACKNEY: I never want to be rude.

9 THE COURT: You're not often --

10 MR. HACKNEY: I hope that I'm not. No. I think  
11 that there's a real -- there's a likelihood maybe that we'll  
12 object. We have very serious concerns, but I will tell you I  
13 don't think it's a certainty. I mean we have been dialoguing  
14 with the swap counterparties. We were not included in the  
15 negotiation of the term sheet. We were sort of held at arm's  
16 length.

17 THE COURT: Well, but you can negotiate and litigate  
18 at the same time.

19 MR. HACKNEY: You can, but, your Honor --

20 THE COURT: It's what we lawyers do.

21 MR. HACKNEY: Well, but what I think is more  
22 efficient, though, is I'm asking for a week. I mean, your  
23 Honor, this was filed Monday night, and it's a different  
24 deal. And I will tell you I've quite literally not spoken  
25 with my client about the motion itself. We've been aware of



1 drafts of the term sheet for a week. I'm not going to tell  
2 you that it fell on my lap at midnight, but I had a first day  
3 in another case yesterday, so I just quite literally haven't  
4 discussed it with my client. What I'd propose is this. Give  
5 us one week to come back to you on status with a report on  
6 were we able to cut a deal or not. And we will get down to  
7 it with them and decide whether we're loving or fighting, and  
8 if we are fighting with a view on can we agree on a schedule,  
9 I don't think I'm going to be able to agree to Mr.  
10 Hertzberg's schedule, but I also can't rule out that I won't  
11 try to understand the idea to which prior testimony is  
12 applicable and can come in. I mean I'm always willing to  
13 engage at a practical level to streamline the trial of  
14 something, but please hear me as saying there are material  
15 changes in the deal, and this is already a complex structure,  
16 so the way it all interacts is --

17 THE COURT: Well, but if some evidence in the prior  
18 trial is irrelevant, so what?

19 MR. HACKNEY: It's more that the prior evidence, if  
20 it is irrelevant or if some of it is irrelevant, is not on  
21 point for what the claims are being settled. There could be  
22 a failure --

23 THE COURT: Right, so you can point that out, and  
24 we'll deal with it.

25 MR. HACKNEY: We can, but, your Honor, bear in mind

1 that in the last trial we didn't take discovery on the  
2 underlying claims being settled. We took discovery on the  
3 business judgment process by which the debtor went after --  
4 elected to enter into the settlement, so I think, based on  
5 the standard that was applied, there is a gap in the record  
6 in terms -- and the Court noted it at the last hearing, which  
7 is what is the evidence --

8 THE COURT: So do you want discovery here?

9 MR. HACKNEY: That's what I would hope to come back  
10 to you in a week on, and I also have to evaluate what is the  
11 nature of my own objection, you know, is it factual,  
12 intensely factual, or is it legal. I mean there are a lot of  
13 things I've thought about in the context of the last  
14 agreement to be sure. I'm not a babe in the woods on this  
15 issue, but this is a new deal, new structure, new claims, new  
16 and different claims being settled. I do need a little time  
17 to think it through and advise my client to try and  
18 understand how this fits together. I don't think it's as  
19 easy as Mr. Hertzberg says, which is we'll just remember all  
20 the stuff we did together in December. We'll have another 45  
21 minutes and, presto, we're done. I wanted to give you that  
22 perspective, your Honor.

23 THE COURT: Thank you.

24 MS. NEVILLE: Carole Neville on behalf of the  
25 retirees. Your Honor, we have a different concern, which is

1 the plan support agreement, which expressly creates an  
2 impaired consenting class for \$85 million, which the city  
3 expressly said they will use for cramming down any class that  
4 doesn't accept the plan, so it may be --

5 THE COURT: So you'll object on that grounds?

6 MS. NEVILLE: Yes. We would object on that ground,  
7 but we may want some discovery of Mr. Orr on that to see how  
8 that --

9 THE COURT: What do you want?

10 MS. NEVILLE: -- plan support agreement was  
11 formulated and what the discussions --

12 THE COURT: Like a deposition or --

13 MS. NEVILLE: Yes.

14 THE COURT: Anyone else? Sir.

15 MR. MARRIOTT: Yes, your Honor. Vince Marriott on  
16 behalf of EEPK. Two quick points. One is to comment on  
17 something that Mr. Hackney commented on. This case sort of  
18 has emergency motion expedited hearings. I mean it's  
19 fatiguing, and it seems that when it's unnecessary we ought  
20 not to fall into the trap of doing everything on an expedited  
21 basis just because we've been doing everything on an  
22 expedited basis, and --

23 THE COURT: Um-hmm. I'm going to ask Mr. Hertzberg  
24 when it's his turn to come back to explain why he needs a  
25 hearing on March 20th.

1           MR. MARRIOTT: And I think the other thing that was  
2 missing from Mr. Hertzberg's timeline -- and Ms. Neville  
3 addressed it in part -- we ought to be at least entitled to  
4 depose the witnesses that the city intends to put forward at  
5 the hearing. Thank you.

6           MR. HERTZBERG: Your Honor, I'm going to be blunt.  
7 Syncora has said that they need more time to analyze this. I  
8 want to give the Court a little background so it understands  
9 when they stand before you and ask for more time because the  
10 motion has been recently filed and they want to be able to  
11 analyze the motion further and need to spend time going  
12 through it. February 4th the banks told Syncora the amount  
13 of the settlement with the permission, of course, of the city  
14 and with confidentiality. February 18th they had a detailed  
15 oral conversation, the banks, with Syncora and walked them  
16 through the transaction that they were about to enter into  
17 with the city. February 24th they received the term sheet,  
18 which is now attached to the motion, so they've had the term  
19 sheet for approximately ten days, eleven days. So when they  
20 come before the Court and they say to the Court, "We need  
21 time to analyze this," what have they been doing for the last  
22 30 days? They've been brought into the process. The banks  
23 deliberately brought them in to see if they could resolve  
24 issues and not face an objection, and now they stand before  
25 the Court and say to the Court, "We need more time to analyze

1 this." I suggest to the Court they've been looking at this  
2 deal for a long time now, not just a couple days.

3 In regard to the Court's question of why we need a  
4 hearing on an expedited basis, we need to get down to the  
5 settlement and figure out whether the Court is going to  
6 approve it or not. It drives the plan process. It's  
7 important to the plan. If the Court does not approve it --  
8 and I believe the Court will approve it based upon what we  
9 filed before the Court, but if for some reason the Court  
10 didn't, we need to find out what the alternatives are, and we  
11 need to know now. We can't be in a position of paying this  
12 money out and not having certainty of what we're doing, so I  
13 ask that the Court expedite the hearing on the schedule that  
14 we asked for.

15 THE COURT: All right. Thank you.

16 MR. HERTZBERG: Thank you.

17 THE COURT: Anything further from anyone?

18 MR. MARRIOTT: Just quickly, your Honor. This case  
19 is not the City versus Syncora, although it may seem that way  
20 sometimes. There are other objectors who were not given all  
21 of this or potential objectors who were not given this  
22 preview. Second, this has been going on since July. Why  
23 something has to be decided by March 20th versus, for  
24 example, April 20th or even an additional 30 days would be a  
25 much more sane way to approach this is entirely unclear to

1 me.

2 MR. HACKNEY: Very brief. I hate to get the Court  
3 into all of the sort of back and forth, but what I -- I do  
4 want to respond to the notion which is we had actually asked  
5 to be involved in the negotiations. We weren't allowed to  
6 be, and we've been asking for the term sheet. We had to wait  
7 weeks to get it. I don't think I misrepresented to the  
8 Court. I didn't say I just got the term sheet Monday night.  
9 We had gotten it sometime last week. We have been looking at  
10 it. We do have serious questions about it. It wasn't the  
11 motion that was filed itself until Monday night that we could  
12 see where they had finally landed, so I don't think that I  
13 misstated anything to you, but I wanted to clarify the record  
14 to the extent I had.

15 THE COURT: Thank you, sir.

16 MR. GOLDBERG: Jerome Goldberg appearing on  
17 interested party David Sole. I have no idea what discussions  
18 have been with Syncora, but I know I participated in this  
19 trial on behalf of my client because of our very strong  
20 concern of the role of the swaps in the crisis in Detroit and  
21 the role of the banks in the crisis, which in many ways is  
22 even sharper in light of the cuts that have been announced to  
23 retirees that I think are being looked at very sharply, and I  
24 would just ask for at least a little extra time so we could  
25 have some time to prepare. We just saw this yesterday. I

1     tried to talk about it to determine whether we're in a  
2     position to intervene, and I think having a trial by March  
3     20th is not reasonable, at least some extra time to give some  
4     time, especially when there are other answers that have to be  
5     done in the next week or two relative to the disclosure  
6     statement.

7             THE COURT: All right. Thank you. I'll enter a  
8     scheduling order in the next day or so. Is there anything  
9     else anyone would like to bring up? All right. We're in  
10    recess.

11            MR. HERTZBERG: Thank you, Judge.

12            THE CLERK: All rise. Court is adjourned.

13            (Proceedings concluded at 4:17 p.m.)

## INDEX

WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

March 10, 2014

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Lois Garrett